

ACCOUNTING PROCEDURE

TOPIC: Section 15--Contract Administration 3.2	EFFECTIVE DATE: 9/14/95
TITLE: Prepayments and Community Aids Contracts	REVISION DATE: 1/10/03
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BACKGROUND

The Department enters into contracts with various non-governmental provider agencies. The Department has had problems collecting accounts receivable due from agencies, which result from prepayments being made without corresponding expenditures being reported. This policy provides guidance for Bureau of Fiscal Services (BFS) approval of prepayment language in the contract.

PROCEDURES

1. BFS will evaluate contract history and other relevant information to determine if prepayment language will be approved for non-governmental provider agencies.
2. If the non-governmental provider agency has no prior contracting history with the Department, but has a prior audit report(s) indicating significant financial difficulty, prepayment language will not be approved or will be limited in scope.
3. If the non-governmental provider agency vendor has a prior contract history with the Department, prepayment language will not be approved or will be limited in scope if the agency has:
 - a. An outstanding account receivable or has not been timely in satisfying either an account receivable or an audit adjustment during the prior contract period; or
 - b. A history of unjustified late reporting.
4. Twice per year (February and August), BFS will issue a list of agencies that meet the criteria in item #3. This list will be distributed to the Office of Program Review and Audit and the contracting divisions. The program division is responsible for modifying payment language when appropriate.
5. Once the agency completes a contract cycle in good compliance, the Bureau of Fiscal Services will authorize standard prepayment language and will remove an agency from the modified prepayment list described under #4. Good compliance includes, but is not limited to, filing timely expenditure reports, responding in a timely manner to all

requests for information or repaying any outstanding account receivable or audit adjustment.

6. Limiting or withholding prepayments are two of several actions, which may be appropriate to take when an audit of a non-governmental provider agency identifies significant, financial management practices that, if uncorrected, could seriously jeopardize department funds. Program divisions and the Office of Program Review and Audit are responsible for reviewing audit reports and identifying circumstances where special contract language, including modifying prepayment contract provisions, is needed to protect department interests.

When modified prepayment contract language is deemed necessary, the responsible program division will include the modified language in the contract to be processed and/or will work collaboratively with BFS to design different prepayment contract language that adequately protects the department's interests.

7. All exceptions to this procedure must be in writing and approved by the Director or Deputy Director of the Bureau of Fiscal Services. The exception request should identify the person within the contracting division who will be responsible for any needed collection efforts.

REFERENCES

DHFS APP **Section 15-Contract Administration 4.0** (Standard Procedures for Developing, Issuing and Processing Aids Contracts)

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